

ALAN WATT BLURB (i.e. Educational Talk)
"SIR JAMES GOLDSMITH U.S. SENATE SPEECH - NOV.
15, 1994"
Oct. 19, 2007

(A Supplement to Oct. 17, 2007 "Cutting Through The Matrix" LIVE on RBN.)

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Hi folks. This is a supplement to Wednesday's talk, Wednesday the 17th of October, concerning James Goldsmith and his speech at the United States Senate, concerning the General Agreement on Tariffs and Trade. This was on November the 15th, 1994, where he came up in front of the senators to give the negative points of the GATT treaty, after Felix, a well known banker, had pushed the positive side for corporations to do with this treaty. Now I don't know if people realize, I think this was the eighth signing of the General Agreement on Tariffs and Trade that happened in 1994. The first one was in Marrakesh in 1947, set up at the conclusion of World War II with the United Nations in charge of it; but really, beyond the United Nations, it was the Royal Institute for International Affairs and CFR that drafted up the proposals for this. It's always the same group of intellectuals and financiers that draft up these proposals.

Sir James Goldsmith gives a good speech, if you listen carefully. It's not the best audio and it's hard to get a better copy; if anyone has one, perhaps you could send it to me. He does put in eloquent terms all the negative aspects of this General Agreement on Tariffs and Trade. Now this is all to do with most-favoured nation status, etc., to do with the dropping eventually of import taxes for most-favoured nation status countries, but it's only for the big international corporations. The GATT set up a star chamber of judges to decide all their internal disputes, it's not a democratic institution, and these judges will hold their meetings in secret and whatever their decisions are, are binding; there's no recourse, no redress from any complainant or anyone who disagrees with their decisions.

Listen carefully to the negative aspects of the GATT treaty, and this was put out in mainstream news in amongst the trivia and the sports and the Hollywood affairs and all that nonsense.

(Note: Uncertain audio in square brackets: [__] & inaudible audio: [inaudible].)

Speech Audio:

Chairman: The hope at the time was to have you both together and then we could

really hear the back-and-forth and not listen to us. I had to raise some of the questions myself I'm confident you would have raised. Let's have what opening comments you have and then the questions from the members.

Sir James Goldsmith: Mr. Chairman, thank you for inviting me back. First I want to make clear, like I think you know, Mr. Chairman, that I was in business, I believe in free markets, I believe in free enterprise and I believe the purpose of the economy is not just to improve indices but to improve the state of the nation--yours, mine. So I'm not an anti-free-market man nor an anti-free-enterprise man; quite the contrary. Felix, as you saw, is an old friend of mine, in fact he's been my banker on-and-off for the past twenty years or more, but I'm in total disagreement with him. What you've heard today is the view from big business, of which I was part. And I believe the view from society in general is totally different. I believe it so different that I came out of retirement to start a political party in Europe, to become chairman of one of the nine parliamentary groups in the European Parliament, to fight against what I believe to be one of the most destructive issues, proposals, ever put before your assembly or any other assembly. In fact I was watching television last night and I saw Senator Moynihan and he said--he was there, represented Newt Gingrich--and the words he used were probably the most important vote of the decade, could hardly be more important. Now I'd like, if I may, to comment on some of the points that my friend Felix made when talking about the loss of manufacturing jobs, all the figures you gave, he put that down largely to productivity. But in the last few months we've seen Boeing, IBM, Advanced Microsystems as well as joining all the other companies like Hewlett-Packard going offshore to get cheap labour. That's nothing to do with productivity, Mr. Chairman; that's moving to get the cheap labour forty times cheaper. And please don't think this is unskilled jobs; these are skilled jobs; these are high-tech jobs going there. Of course there are also the unskilled jobs, but the skilled ones are going to highly skilled people and they are moving offshore; and if you think that's productivity, then I think you would be wrong. Of course there's an increase in productivity and of course that puts pressure on the job market; but why accentuate that pressure manifold at the very time when you've got the pressure by encouraging, by creating a system that forces people to go offshore?

I'd also remind you that not only are jobs being lost, but I confirm the figures that we all know. It was not a marginal drop in earnings that global free trade has brought in the United States. In the United States, before NAFTA has its effect and before GATT, which is so much bigger than NAFTA, has its effect, your hourly wages according to the Labor Department statistics are 13.4 percent down in the last 20 years and your weekly ones are 19.2 percent down.

Then Felix also mentioned how competitive the States become. Well, surely the measure of competitiveness is the balance of trade. And as you, Senator, pointed out, if you have the second worst balance of trade in history, 150 billion dollars, that's not being competitive in world markets.

Then there was the question of foreign investment. There was the question of the words we used, attracting foreign investment in the United States, this apparent in-flow of foreign investment. Well, as business men and you as policy makers, obviously have to take both sides of the equation into account. There's a massive foreign out-flow of investment--net. Take foreign in-flow, take foreign out-flow, the balance is negative.

And then we heard Felix's testimony on the trillions of dollars, his words, that now move around in the global economy. He rightly said the global financial marketplace was totally integrated. In his testimony he talks about 500 billion dollars to be invested in China. And then what does he say? He says what America needs--and no doubt this is true about Europe as well--is an increased rate of savings. What for? To invest in China? To invest amongst those trillions that have to go out? Why do you need them? You need them right here, just like we need them right where we are. We can't afford a haemorrhage; we can't increase our rates of savings just to invest them elsewhere and where we bleed to death in terms of capital and we bleed to death in terms of jobs.

And this is the big point, Mr. Chairman. What we are witnessing is the divorce of the interests of the major corporations and the interests of society as a whole. It used to be said that what was good for General Motors--and we all believed it, probably was true--was good for the United States. That is no longer true. The trans-national corporations, Mr. Chairman, I've just brought some figures that came out recently, they now have 4.8 trillion dollars per annum in sales; they account for one-third of global output; the largest one-hundred account for one-third of all foreign direct investment. Now where do you think the bulk of that investment it's going? It's going where it earns the most; it's no other way it can go. What chief executive can invest otherwise, Mr. Chairman?

So, if as you've heard today, you have freedom of movement of capital, freedom of movement of technology, and you can employ people for forty or fifty times cheaper who are skilled, and you can import their products back anywhere in the world--that's the basis of global free trade--how can those investments, how can these trans-national companies who have 4.8 trillion dollars of sales invest anywhere other than where it's cheapest and where their return is greatest? Because if they don't the system that you and your colleagues would be voting for, if you pass it, forces them to do it; otherwise they go bankrupt.

So we have a system for the moment being proposed--you here, we in Europe. It's the same system with the same effects on us, which will result in massive unemployment, massive haemorrhaging, rate of jobs and capital, but which will increase corporate profits. And it is believed by economists that you can measure the health of an economy by the size of corporate profits. Now I am for corporate profits. All my business life I've worked to increase our profitability; but I believe that when you get to a system whereby so as to get the best corporate profits you have to leave your own country, you have to say to your own sales force, good-bye, we can't use you anymore, you're too expensive, you've got unions, you want holidays, you want protection, so we're going offshore; and you destroy your own nation--I think that's short-term thinking, that's the real short-term investment because that is like making a profit on the deck of the Titanic, playing cards, and as clever as opposed to a wise way.

In Europe we have less flexibility than you have here in the States. So rather than take a big hit, these reduction in wages, before your recent actions, before NAFTA, before GATT, these big hits on wages, we in Europe tried to protect wages so we lost jobs; but none the less, let me give you some figures. Two developed countries, U.K. and France: let me remind you in France since we progressively moved towards this global free trade the economy rose by 80--eight-zero-percent during the twenty-year period, fine performance, and unemployment went from

420,000 people to 5.1 million. Let me give you, if I may, Mr. Chairman, for the United Kingdom: between 1971 and 1991 gross national product rose by 49.5 percent, but the number of people living in poverty has risen from 6.6 million to 13.6 million; the number of children being brought up in poverty--this is a developed country, one of the great old economies and nations--4.1 million, 32 percent of children in the land officially designated as living in poverty.

Now what good, Mr. Chairman, is it to have an economy that grows wealth, where everybody and all the economists can say how fantastic, where the politicians can say we're going to get extra growth, where business men can say our profits are up, if the number of people and markets [inaudible] are at an all-time high, Mr. Chairman, in England. The number of people in poverty living from 6.6 to 13.6 million and the number of children living in poverty one-in-three. The number of people being unemployed in France from 420,000 to 5.1 million.

Now I'm not here as a bleeding heart liberal; I'm a hard-headed realist and it is my view that if we try and make profits and at the same time destroy our nations, no one will benefit from it--even those who make the profits. Mr. Chairman, those were the points that I wanted to--

Chairman: Well, you said, making a policy on the deck of the Titanic; I agree with you, I was just--a lot of other parts with our distinguished former witness and talking about how we had to reach out, we had to do this and do that, from the United States level for the developing countries out in the Pacific Rim. There's just so much the economy can stand; it sounds like almost the Vietnam policy; in other words we've got to destroy our economy to save the free world. It's the same kind of trade policy apparently that we have. The investment is going, I don't know whether you were here, but the investment is going, in the most recent issue of Business Week, 69 billion offshore and an increase of 40 percent down into Mexico [inaudible]--

Sir James Goldsmith: Mr. Chairman, you just have to look at Felix Rohatyn's testimony; 500 billion is estimated in a few years for China.

Chairman: You talked about the ones in England; we also have in that, displaced workers been faring, 4.5 million people lost permanent jobs from 1991 through 1993 in the United States. They talked about the good news, how some were re-employed, but one-fifth of the displaced workers were still looking for work; 13 percent had left the labor force; further, some 47 percent of those back at full-time jobs were making less than before; and nearly a third of this group suffered pay cuts of 20 percent or more; and that's not counting those who became self-employed or the 9 percent of former full-timers who were working part-time. Business Week, November the 14th, was a just recent issue to the fact that we were really going out of business--let me yield to the Senate action.

Sir James Goldsmith: Could I just comment on that point--

Chairman: Yes sir.

Sir James Goldsmith: --Mr. Chairman, Mr. Senator?

Chairman: We've got the same thing going here. I mean I have the great affection for England. I've made the comment that they were told about this service economy, service economy, don't worry, that's what they [hollered] up...

...These thinkers were telling us--in fact I was at [Renaissance] with President Clinton when Michael [Porter] from Harvard was there and he was still lecturing on the comparative advantage, David [Richardson], and I just looked and said, yeah, the comparative advantage, that's why BMW's come to South Carolina. We have never made an automobile in our history. I mean, come on, it's the wage advantage; 30 dollars in Munich, 15 dollars in Spartanburg; and yes, we make an outstanding automobile. So these up in Washington, to the re-train and re-train, I can train them to make automobiles; I'm making computers; I got digital down there; I've got [inaudible] Japanese plants, Fuji; I'm in pharmaceuticals with [Hoffman-LaRoche]. Don't tell me about I need more training; it's the people with training who are losing their jobs. That's what they don't seem to understand; but let me hear you comment, I'm sorry.

Sir James Goldsmith: The last, the [only] comment I wanted to make was the question of inflation was brought up. The biggest single component of inflation, I think it's about two-thirds, is wages. The reason why this time there's been a recovery in indices and GNP despite very substantial pressure, downward pressure, on interest rates and facilitating credit through the banking system is because salaries, earnings, have either gone down or risen very little relative to the period of recovery. And that is the whole philosophy, is we can keep inflation down by keeping wages down; and we have forgotten the purpose of the economy, which is to enrich, to create a stable society, and to include the population, the vast number of people in active life; and instead we believe that if we can reduce salaries we can keep inflation down. That's the wrong way around; we just forgotten what the economy is about, what its purpose is.

Senator: [House Action.] Mr. Chairman, thank you very much sir. Sir James Goldsmith, welcome to the Commerce Committee. The last time you were here I wanted to be here but I had an Armed Services meeting at the same time that was also very important; I couldn't make it. Thanks for coming back again. I've listened with great interest to your opening statement. I do not know how much when you came in with the previous witness--I'll ask you some of the same questions but basically I appreciate very much the fact that you've come here today. We have not always agreed, I don't know whether you remember or not, but there was a time when you were attempting to take over the Goodyear corporation. And since Goodyear was very much, very prominent in our economy, on a parochial matter I opposed you very much; but I have always done some study of you and I have always admired your freewheeling spirit with regard to getting things done, creating jobs. Let me start out if I can with you and I'll abbreviate the question because I asked it of the previous witness. One of the concerns that I have on this matter, and I have not made up my mind, is the part of the World Trade Organization that I am afraid gives up the sovereignty of the United States of America. I would simply say that I suspect that your country of Great Britain and the United States would not be in United Nations have they not, [the big five], have veto powers. It seemed to me like that the 'one man, one vote' principle is being carried too far in this particular matter. Particularly I am concerned about the fact that 'one man, one vote' if Bangladesh, one of the 113 nations, and the United States had a trade dispute, as I understand it, if they couldn't reconcile this

through the usual procedures it goes to a three-member commission appointed by the [?GATT] called the World Trade Organization who meet in secret and take testimony in secret and make their decision and if the decision would be against the United States of America in this instance, the only way that the United States of America could overturn that would be to go to the 113 nation total agreement and get unanimous support to override whatever the decision was made by that three-member panel including Bangladesh who brought the action. Is that a fair interpretation of a concern that I state? Do you see it that way?

Sir James Goldsmith: Senator, there's absolutely no doubt whatsoever that the World Trade Organization is a major diminution of sovereignty. Now the exact mechanisms, I believe in fact the Director General can try and settle the problem beforehand. For the same reasons as Felix Rohatyn would not wish to get into the exact mechanisms, I will not either. I have also read a lot about it; I'm on the foreign relation committee in the European Parliament and I've tried to study the issues. But the one thing which is certain, is bottom line, this is giving up national sovereignty; it can't be otherwise; otherwise why would it exist? What is its purpose? Its only purpose is to impose discipline on all the nations to accept a trading system, and that that discipline should be under the control of all the nations that participate on a 'one vote, one nation' basis. Full stop. That's diminution, dilution of sovereignty. The exact technical mechanisms, legal mechanisms, I would rather avoid because they are too technical.

Senator: Thank you. Let me--if you can, explain to me why people in whom we have had a great deal of confidence over the years: I started out with President Carter, President Reagan, President Bush and now President Clinton, and all of their key advisors; I mean that's pretty impressive list of people who think this is a good proposition for the world and particularly America: how do you explain what I assume you think is the wrong opinion by all those individuals that I just mentioned?

Sir James Goldsmith: Senator, the Uruguay Round, the negotiations for the Uruguay Round started eight years ago; the world has changed totally. GATT of course started after the war, '49 I think it was; the world has changed totally. Now what, for reasons which the chairman mentioned, we haven't focused on--I think you did, as well, Senator--which is the alternatives. And I think [that was the other] conversation, are the alternatives. The alternatives are not just closing the market, becoming protectionist; the alternatives are not saying we are now going into protection and we're going to isolate ourselves from the world, each one of them. The alternative is to have regional trading blocs which have similar economies so we're not trying to make our labour forces compete with people whose labour costs 2 percent of theirs and thereby destroying them--but--and reducing their salaries and eliminating their jobs--but having negotiated bilateral agreements between trading blocs so that each region, each nation, imports those products that it needs, not those products that destroy its jobs.

The regions we are talking about now, NAFTA or Europe, are vast areas; we've never experienced trading blocs of these sizes, free trade regions. Nobody thought when these negotiations started that communism would collapse before the negotiations were signed; that China and [inaudible], Vietnam and all the Soviet nations would be part of it, and all the other countries that were [blocked] with their socialist ideas. It's all happened. You've had a massive, total, historic shift--

and you're on the same track, as though it never existed? And you're being told to sign it now because if you read the document it's going to be too late? I mean this is the greatest, as Moynihan, your Senator Moynihan said, the most important piece of legislation. How can there be anything more important than creating a free trade area, not with Mexico and Canada, which is already important, but creating a free trade area with China and India and Vietnam and Bangladesh and all the others, four billion new people? All this has suddenly happened and the negotiations are going on as though nothing has occurred. That is why, Senator, people who were entirely reputable and wise were for global free trade before, as I was, but who have to open their eyes to reality today and say what was global free trade in those days is regional free trade today.

Senator: My last question has to do with the key statement that you made in your opening statement, and that is in regard to massive, potential massive unemployment in the United States that I think has not been looked at, Mr. Chairman, as much as we should. And I would like to ask this question in the context of a few lessons in history. You are a citizen of Great Britain; certainly I think that we would recognize, that those of us that have done some study of history would recognize that the situation of the United States of America once a colony of Great Britain and Great Britain itself are extensively different because over the years Great Britain had depended upon its vast fleet, its countries it has controlled around the world and there was the British Empire so to speak. That was never essentially the case with America because we were more self-sufficient, had more natural resources obviously than you did. But certainly I think that we ought to at least take a look at what I think has been a demise to a large extent of the working class of people that once had that small island over there, a very bristling, bustling, economic smokestack industries that are now essentially gone. It brings me to a question that I think will give you an opportunity to expound a little bit more on what you said with regard to massive employment. I certainly am profoundly troubled with the economists' view of low wage and low skill workers as you know somewhat disposable. I remember in America where hard work would earn a decent day's wage; today hard work and good will do not seem to go as far as they once did. It is interesting that this same Congress that passed a massive crime bill and the next Congress will consider welfare reform. It is often said that there are a few of our local social ills that would not be solved with good jobs.

Do you agree with that? What will the GATT agreement do to those families barely getting on, by both mom and dad working full-time in relatively low-skill jobs or medium-skill jobs that I suspect will be even a more effect on what we generally refer to as Middle America? Aren't they at [grave] risk here?

Sir James Goldsmith: Senator, when I was young I was taught, as we all were, that if we managed to create extraordinary material prosperity we would solve our problems. And we were brought up in the belief that there was an inevitability of progress: progress of wealth, progress of stability, progress of civilisation. Well during the last fifty years, since I've been more or less an adult, we've had the greatest period of economic prosperity, economic growth in history. We have succeeded beyond our wildest dreams. The economy of the United States has soared, in real terms, four or five times up. And throughout the Western world, in England a bit less but still fantastic, and France [up] just as much. And what has happened? Have we solved our problems? Are our towns more stable? Are our families more stable? Is there less crime, less people in prisons? Less people in-

are there more people in permanent and noble employment? What have we done? We have profoundly destabilised our communities. We have done everything that was wrong in social terms; we've deracinated, we've uprooted people from the countrysides, we've shoved them into towns, we haven't given them jobs; we've created ghettos and underclasses; we've increased crime and drug addiction and family break-down--all this in a period of maximum prosperity. Why? Because we were only interested in economic indices. We forgot that the purpose of the economy is not just to improve the index; it is to improve prosperity along with social stability and social contentment. And GATT is typical of the economic instrument, whose purpose is to increase corporate profits; whose purpose is to increase gross national activity; and whose result will be the destruction of the stability of our society, a continued break-down in family life, a continued increase in crime, impoverishment and all the other ills that we are now suffering.

Senator: Sir James Goldsmith, I thank you very, very much. Mr. Chairman, I would hope and congratulate you once again for hearing, having these hearings, because these are some of the concerns so adequately expressed by Sir James Goldsmith and others that you had before the committee that I'm not sure that American people fully understand and I think that the American people had better have a fuller understanding than they do now.

End of Speech Audio.

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